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## Colombia

## Coffee

## Annual

## 2006

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**Report Highlights:**

Colombian coffee production is forecast to increase slightly to 11.6 million 60 Kg bags in the 2006/07 marketing year. Due to improvements under the coffee renovation program, production is expected to remain between 11 and 12 million 60 kg bags yearly. Total exports are expected to reach 10.85 million bags (60 Kg) in 2006/07 marketing year, while Colombia imported 500,000 60-kg bags in the 2004/05 MY for domestic consumption for the first time. The Coffee Growers Federation continues to focus on improving quality and specialty coffees. The U.S. and Colombia reached an agreement on a free trade agreement on February 27, 2006 that will most likely be implemented in 2007.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Bogota [CO1]  
[CO]

**Table of Contents**

<b>Executive Summary</b> .....	<b>3</b>
<b>Production</b> .....	<b>3</b>
<b>Consumption</b> .....	<b>3</b>
<b>Trade</b> .....	<b>4</b>
<b>Stocks</b> .....	<b>4</b>
<b>Policy</b> .....	<b>4</b>
U.S. Entry in International Coffee Organization (ICO) .....	4
Support .....	4
<b>Prices</b> .....	<b>4</b>
<b>Tables</b> .....	<b>5</b>

**Executive Summary**

Coffee production is expected to reach 11.55 million 60 Kg bags in 2005/06 MY and it is forecast to increase slightly to 11.6 million 60 kg bags in the following marketing year. Under the national coffee renovation program, the average age of coffee plants in Colombia has fallen to 5 years. Production is expected to remain between 11 and 12 million 60 kg bags yearly. The Coffee Federation continues to look for improvements in production efficiency and is promoting the production of specialty coffees. Total exports are expected to reach 10.84 million bags (60 Kg) in 2005/06 MY, 1.7 percent lower than the previous year. For the first time, Colombia imported 500,000 bags (60 Kg) in 2004/05 MY to supply local consumption and it is expected to continue importing during the following marketing year. The Colombian Coffee Federation is looking for a premium for Colombian coffee in general and has a program to increase specialty coffee production. Exporters and growers believe that having the U.S. as a member of the ICO can assist in this area. The U.S. and Colombia reached an agreement on a free trade agreement on February 27, 2006.

**Production**

Coffee production is expected to reach 11.55 million 60 Kg bags in 2005/06 MY and it is forecast to increase to 11.6 million 60 kg bags in the following marketing year. Coffee growers, mainly at the most productive coffee area, have adopted the national plant renovation program (the Coffee Federation has been encouraging coffee tree renovation for several years) as a regular farm practice. On average, 20 percent of the coffee area is renovated each year and the average age of coffee plants is now five year old. This renovation program is expected to result in a low variation in production from one year to another. Production changes will mainly depend on weather and improvements in efficiency. Although new areas planted are likely to arise, the strong peso and higher production costs will discourage significant new plantings. Preliminary figures published by the Coffee Federation for the first five months of the current marketing year (October-February 2005/06) show a 5 percent decrease in coffee production (310,000 60 Kg bags) compared with the same period a year before.

Higher international coffee price have encouraged investment in the most efficient producing areas, rather than an expansion in area. Production has been falling in marginal coffee areas, but this has been offset by increasing tree density and high productivity in the most competitive coffee areas. High international prices have also stimulated new plantings in the southern areas of the country, which have started producing high quality coffee. Colombia's coffee production is expected to remain between 11.0 and 12.0 million bags.

The production policy of the Coffee Growers Federation has been oriented toward achieving efficient production and high quality. As part of this strategy, CENICAFE (Scientific Research Center for Coffee) has developed new techniques to make improve the efficiency of picking ripe coffee cherries by hand to reduce the harvest time and limit the amount of fallen coffee cherries (that can host coffee pests). Picking of coffee cherries represents an estimated 40 percent of production costs. The Coffee Growers Federation is also encouraging supplementary activities for small coffee producers to diversify their income. Ninety percent of coffee plantations are less than 5 hectares.

The Federation has been promoting specialty coffees, including organic and identity preserved coffees. Local contacts report significant premiums for those coffees and a growing production. Specialty coffees may represent as high as 20 percent of production in some areas.

**Consumption**

Colombia's coffee consumption is expected to barely increase 0.4 percent in 2004/05. Changes in local coffee consumption are mainly due to expanding consumption of products

containing coffee. Despite marketing efforts to expand coffee consumption as a whole, the main competition has been among coffee brands. There has been a small shift from lower to higher quality and specialty coffees. The increase in international prices has tightened the supply for local consumption. Local consumption has been traditionally supplied with lower quality coffee, but higher prices have resulted in greater care given to local production and less low quality coffee is now available for domestic sales.

### **Trade**

Preliminary figures show a reduction of 660,000 bags (60 Kg) in exports during the first five months of the 2005/06 marketing year. Total exports are expected to reach 10.84 million bags (60 Kg) in 2005/06 MY, 1.7 percent lower than the previous year. Colombian exports are expected to go to traditional markets such as the U.S. (35 percent of exports), followed by Japan and Germany that represent 15 and 13 percent of exports. Private companies exported 74 percent of total exports while the National Coffee Growers Federation exported 26 percent.

Colombia imported 500,000 bags (60 Kg) mainly from Peru and Central America. This is the first time for decades that Colombia has imported such large amounts, which represented 42 percent of the local consumption during 2004/05 marketing year. This import trend is expected to continue while there are high international prices and tight coffee supplies.

### **Stocks**

Ending stocks for the 2005/06 marketing year are calculated at 839,000 bags (60 Kg). This is Post's estimate based on information gathered from local contacts. Stocks are lower than usual because strong exports have not been met with higher production. This amount represents 27 days of exports, which would be the lowest level ever. Stocks are expected to remain at close to this level once again in 2006/07.

### **Policy**

#### **U.S. Entry in International Coffee Organization (ICO)**

The entry of the U.S. into the ICO has been welcomed by the Colombian coffee sector. Exporters are very happy to have back the main coffee consuming country as a member. Coffee exporters report that controls on quality coffee are improving and country of origin recognition is now stronger. The coffee sector is very much focused on improving quality and it believes that having the U.S. as a member of the ICO can assist in this area.

### **Support**

The government is not making subsidy payments to producers at this time because the international price is well above the trigger price of 80 cents per pound for the support.

The government gives credit to the growers for investments in infrastructure devoted to processing organic coffee. Growers receive from FINAGRO – the government financial institution- subsidized credit with 20-40 percent of the debt forgiven.

### **Prices**

The higher world price for coffee (in U.S. dollars) has been partially offset by a rise in the value of the Colombian peso. Despite this revaluation of the peso, prices paid to the growers have improved significantly. The average price paid to growers during the October-March period in local currency was 6 percent above prices a year before. International prices have been increasing since September 2004, with prices for Colombian coffee currently US\$ 1.12 per pound, up from US\$ 0.79 in September 2004.

## Tables

Colombia: Green Coffee Supply and Demand 2004/05 – 2006/07

Colombia							
Coffee, Green							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	765	765	750	750	0	750	(1000 HA)
Area Harvested	620	620	610	610	0	610	(1000 HA)
Bearing Trees	2800	2800	2800	2800	0	2800	(MILLION TREES)
Non-Bearing Trees	1030	1030	1030	1030	0	1030	(MILLION TREES)
TOTAL Tree Population	3830	3830	3830	3830	0	3830	(MILLION TREES)
Beginning Stocks	1131	1131	1126	829	976	839	(1000 60 KG BAGS)
Arabica Production	11887	11430	11550	11550	0	11600	(1000 60 KG BAGS)
Robusta Production	0	0	0	0	0	0	(1000 60 KG BAGS)
Other Production	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Production	11887	11430	11550	11550	0	11600	(1000 60 KG BAGS)
Bean Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
Roast & Ground Imports	400	500	500	500	0	500	(1000 60 KG BAGS)
Soluble Imports	0	0	0	0	0	0	(1000 60 KG BAGS)
TOTAL Imports	400	500	500	500	0	500	(1000 60 KG BAGS)
TOTAL SUPPLY	13418	13061	13176	12879	976	12939	(1000 60 KG BAGS)
Bean Exports	10352	10352	10250	10150	0	10150	(1000 60 KG BAGS)
Roast & Ground Exports	120	100	120	100	0	100	(1000 60 KG BAGS)
Soluble Exports	560	580	570	590	0	600	(1000 60 KG BAGS)
TOTAL Exports	11032	11032	10940	10840	0	10850	(1000 60 KG BAGS)
Rst,Ground Dom. Consum	1000	940	1000	940	0	940	(1000 60 KG BAGS)
Soluble Dom. Consum.	260	260	260	260	0	260	(1000 60 KG BAGS)
TOTAL Dom. Consumption	1260	1200	1260	1200	0	1200	(1000 60 KG BAGS)
Ending Stocks	1126	829	976	839	0	889	(1000 60 KG BAGS)
TOTAL DISTRIBUTION	13418	13061	13176	12879	0	12939	(1000 60 KG BAGS)

Colombia: Green Coffee Exports MY October 2004 - September 2005

Time Period	Oct-Sep	Units:	(0,000) 60 Kg Bags
<b>Exports for:</b>	<b>2005</b>		<b>2006</b>
<b>U.S.</b>	3817	U.S.	
<b>Others</b>		Others	
<b>Japan</b>	1679		
<b>Germany</b>	1451		
<b>Belgium</b>	701		
<b>Canada</b>	627		
<b>Italy</b>	391		
<b>United Kingdom</b>	367		
<b>Sweden</b>	267		
<b>Spain</b>	234		
<b>South Korea</b>	205		
<b>Finland</b>	175		
<b>Total for Others</b>	6097		0
<b>Others not Listed</b>	118		
<b>Grand Total</b>	10032		0

Colombia: Green Coffee Price to Growers CY 2005 – 2006

Colombia Prices			
Coffee, Green			
Prices in	Col Pesos	per uom	70 kg bag
Year	2005	2006	% Change
Jan	416524	524551	26%
Feb	483369	474144	-2%
Mar	558516	445223	-20%
Apr	519012		-100%
May	501801		-100%
Jun	464125		-100%
Jul	413232		-100%
Aug	409658		-100%
Sep	383551		-100%
Oct	432601		-100%
Nov	449119		-100%
Dec	449205		-100%
Exchange Rate	2346.06	Local Currency/US\$	
Date of Quote	5/12/2006	MM/DD/YYYY	